CATTLE MARKETING DEDUCTIONS FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

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104-06820/

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Cattle Marketing Deductions Fund as at March 31, 2004 and the statements of operations and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 7, 2004

Fred Wendel, CMA, CA
Provincial Auditor

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	Provincial Account		National Account		Total	
	2004	2003	2004	2003	2004	2003
Financial Assets						
Due from General Revenue Fund (Note 7)	$ 4,233,548	$ 3,961,450	$ 281,677	$ 1,166,348	$ 4,515,225	$ 5,127,798
Accounts receivable (Note 8)	180,684	150,897	186,231	155,529	366,915	306,426
Accrued interest receivable	27,619	33,169	---	---	27,619	33,169
	$ 4,441,851	$ 4,145,516	$ 467,908	$ 1,321,877	$ 4,909,759	$ 5,467,393
Liabilities						
Grants payable	$ ---	$ 49,054	$ 281,677	$ 1,166,348	$ 281,677	$ 1,215,402
Accounts payable	42,088	44,742	---	---	42,088	44,742
	42,088	93,796	281,677	1,166,348	323,765	$ 1,260,144
Net financial assets (Statement 2)	$ 4,399,763	$ 4,051,720	$ 186,231	$ 155,529	$ 4,585,994	$ 4,207,249

(See accompanying notes to the financial statements)

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF OPERATIONS AND NET FINANCIAL ASSETS
Year Ended March 31

	Budget - Provincial Account	Actual Provincial Account		Actual National Account		Total	
	2004 (Note 5)	2004	2003	2004	2003	2004	2003
Revenues							
Deductions (Note 1)	$ 1,442,000	$ 1,183,777	$ 1,502,602	$ 1,183,777	$ 1,502,602	$ 2,367,554	$ 3,005,204
Less: Commissions	(42,000)	(34,347)	(44,138)	---	---	(34,347)	(44,138)
Refund of deductions	(115,000)	(87,379)	(96,736)	---	---	(87,379)	(96,736)
Net deductions	1,285,000	1,062,051	1,361,728	1,183,777	1,502,602	2,245,828	2,864,330
Interest (Note 7)	85,000	123,665	110,525	---	---	123,665	110,525
Refund of grants	---	---	48,425	---	---	---	48,425
Total revenues	1,370,000	1,185,716	1,520,678	1,183,777	1,502,602	2,369,493	3,023,280
Expenses							
Grants	1,000,000	817,661	1,067,570	1,151,585	1,504,466	1,969,246	2,572,036
Administration (Note 3)	16,000	15,000	15,000	---	---	15,000	15,000
Advisory committee honoraria and travel	2,500	3,565	4,364	---	---	3,565	4,364
Bad debt (Note 8)	---	1,447	14,591	1,490	15,042	2,937	29,633
Total expenses	1,018,500	837,673	1,101,525	1,153,075	1,519,508	1,990,748	2,621,033
Surplus (deficit) for the year	$ 351,500	348,043	419,153	30,702	(16,906)	378,745	402,247
Net financial assets, beginning of year		4,051,720	3,632,567	155,529	172,435	4,207,249	3,805,002
Net financial assets, end of year (Statement 1)		$ 4,399,763	$ 4,051,720	$ 186,231	$ 155,529	$ 4,585,994	$ 4,207,249

(See accompanying notes to the financial statements)

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2004	2003
Cash flows from (used in) operating activities:		
Receipts from deductions	$ 2,269,783	$ 2,964,729
Grant refunds received	---	48,425
Interest received	129,215	97,083
Payments to suppliers	(18,566)	(18,927)
Grant payments	(2,902,972)	(1,800,828)
Refunds paid	(90,033)	(100,052)
Cash flows from (used in) operating activities	(612,573)	1,190,430
Net (decrease) increase in cash position	(612,573)	1,190,430
Due from General Revenue Fund, beginning of year	5,127,798	3,937,368
Due from General Revenue Fund, end of year	$ 4,515,225	$ 5,127,798

(See accompanying notes to the financial statements)

CATTLE MARKETING DEDUCTIONS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. Legislative Authority

The Cattle Marketing Deductions Fund (Fund) was established under *The Cattle Marketing Deductions Act* and continues under *The Cattle Marketing Deductions Act, 1998* (Act). The Act established two accounts, the Provincial Account and the National Account.

The purpose of the Provincial Account is to fund programs, projects, and policies related to the development, improvement and promotion of the cattle industry and to pay expenses incurred in the administration of the Act.

The purpose of the National Account is to provide grants to promotion-research agencies established pursuant to the *Farm Products Agencies Act* (Canada) for the development, expansion, and promotion of the cattle industry. *The Cattle Marketing Deductions Act, 1998* (Act) also allows the Minister of Agriculture, Food and Rural Revitalization (Minister) to provide grants for promotion and research to organizations that represent the national interests of the cattle industry. The Department of Agriculture, Food and Rural Revitalization negotiated agreements with organizations that represent the national interests of the cattle industry to provide grants for promotion and research out of the National Account.

The Fund has an Advisory Committee, appointed by the Minister, that approves all grant payments.

Pursuant to subsection 3 of *The Cattle Marketing Deductions Regulations, 1998*, dealers deduct $2.00 per head from the proceeds for cattle sold less the dealer's commission of $0.03 per head. The National Account receives $1.00 a head without any deduction for the dealer's commission.

Section 12 of the Act provides for the refund of deductions received by the Provincial Account only. Any person may claim a refund of deductions for a calendar year by filing a claim by January 31 of the following year.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

Refunds of deductions are recognized when the refund application is approved by the Department.

b) Grants

Grants are recorded when approved and when the eligibility criteria, if any, have been met by the recipient.

c) Grant refunds

Occasionally, grant recipients voluntarily return unused grant funds. Grant refunds are recorded as revenue when they are returned by the recipient.

3. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

The Fund made grants totalling $470,638 (2003 - $702,250) to the University of Saskatchewan.

The Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of $15,000 (2003 - $15,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

4. Commitments

At year end, the Fund's Advisory Committee had approved grants from the Provincial Account totalling $1,105,117 (2003 - $697,151) for projects of the following years.

2005	$639,117
2006	$233,000
2007	$233,000

Included in these amounts are $248,600, $233,000 and $233,000 committed to the University of Saskatchewan for 2005, 2006 and 2007 respectively.

Also, the Fund is committed to pay all money collected for the National Account in 2005 to promotion and research agencies that represent the national interests of the cattle industry.

5. Budget

The Advisory Committee approved the 2004 budget for the Provincial Account on January 24, 2003.

6. Financial Instruments

Accounts receivable, accrued interest receivable, grants payable, and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair values of these instruments approximate their carrying values.

The Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end.

7. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Provincial Account on a quarterly basis. The Government's average thirty-day borrowing rate for 2004 was 2.79% (2003 – 2.62%).

8. Accounts receivable

Accounts receivable are recorded net of an allowance for bad debts. During the year, the Fund recorded an allowance and bad debt expense of $2,937 (2003 - $29,633) for amounts owing to the Fund where collection is doubtful.

CATTLE MARKETING DEDUCTIONS FUND
DETAILED LIST OF EXPENSES (UNAUDITED)
Year Ended March 31

	2004	2003
Personal Services		
Payees under $2,500	$ 1,015	$ 1,545
Travel		
Other	2,430	2,818
Grants		
Canadian Cattlemen's Association:		
National Beef Information Centre	575,792	786,045
Beef Cattle Research Council	115,158	150,447
Operating Expenses	209,954	196,216
University of Saskatchewan:		
Veterinary Infectious Disease Organization	180,000	180,000
Project Funding	95,347	334,000
Western Beef Development Centre	195,291	188,250
Canada Beef Export Federation	460,634	567,973
Western Applied Research Corp.	14,500	---
Farm Animal Council of Saskatchewan	10,000	5,000
Saskatchewan Cattle Feeders' Association	16,300	12,667
Saskatchewan Stock Growers' Association	57,500	56,667
Semiarid Prairie Agricultural Research Centre	---	15,958
PAMI	---	41,010
Saskatchewan Livestock Association	4,000	4,000
Saskatchewan Society for Prevention of Cruelty to Animals	26,520	26,603
Saskatchewan Beef Quality Starts Here Program	8,250	7,200
	1,969,246	2,572,036
Supplier Payments		
Payees under $20,000	18,057	44,634
Total	$ 1,990,748	$ 2,621,033